

SUBCHAPTER E—FEDERAL HOME LOAN BANK RISK MANAGEMENT AND CAPITAL STANDARDS

PART 930—DEFINITIONS APPLYING TO RISK MANAGEMENT AND CAPITAL REGULATIONS

AUTHORITY: 12 U.S.C. 1422a(a)(3), 1422b(a), 1426, 1440, 1443, 1446.

§ 930.1 Definitions.

As used in this subchapter:

Affiliated counterparty means a counterparty that is an affiliate of another counterparty, as the term “affiliate” is defined in 12 U.S.C. 371c(b).

Capital plan means the capital structure plan required for each Bank by Section 6(b) of the Act, 12 U.S.C. 1426(b), as approved by the Finance Board, unless the context of the regulation refers to the capital plan prior to its approval by the Finance Board.

Certain drawdown means a legally binding agreement that commits the Bank to make an advance or acquire a loan, at or by a specified future date.

Charges against the capital of the Bank means an other than temporary decline in the Bank’s total equity that causes the value of total equity to fall below the Bank’s aggregate capital stock amount.

Class A stock means capital stock issued by a Bank, including subclasses, that has the characteristics specified by § 931.1(a) of this subchapter.

Class B stock means capital stock issued by a Bank, including subclasses, that has the characteristics specified by § 931.1(b) of this subchapter.

Contingency liquidity has the meaning set forth in § 917.1 of this chapter.

Credit derivative contract means a derivative contract that transfers credit risk.

Credit risk has the meaning set forth in § 917.1 of this chapter.

Derivative contract means generally a financial contract the value of which is derived from the values of one or more underlying assets, reference rates, or indices of asset values, or credit-related events. Derivative contracts include interest rate, foreign exchange rate, equity, precious metals, commodity, and credit contracts, and any

other instruments that pose similar risks.

Excess stock means that amount of capital stock of a Bank held by a member in excess of the minimum investment in Bank stock required by § 931.3 of this chapter.

Exchange rate contracts include cross-currency interest-rate swaps, forward foreign exchange rate contracts, currency options purchased, and any similar instruments that give rise to similar risks.

GAAP means accounting principles generally accepted in the United States.

General allowance for losses means an allowance established by a Bank in accordance with GAAP for losses, but which does not include any amounts held against specific assets of the Bank.

Government Sponsored Enterprise, or GSE, means a United States Government-sponsored agency or instrumentality originally established or chartered to serve public purposes specified by the United States Congress, but whose obligations are not obligations of the United States and are not guaranteed by the United States.

Interest rate contracts include, single currency interest-rate swaps, basis swaps, forward rate agreements, interest-rate options, and any similar instrument that gives rise to similar risks, including when-issued securities.

Investment grade means:

(1) A credit quality rating in one of the four highest credit rating categories by an NRSRO and not below the fourth highest rating category by any NRSRO; or

(2) If there is no credit quality rating by an NRSRO, a determination by a Bank that the issuer, asset or instrument is the credit equivalent of investment grade using credit rating standards available from an NRSRO or other similar standards.

Market risk has the meaning set forth in § 917.1 of this chapter.

Marketable means, with respect to an asset, that the asset can be sold with reasonable promptness at a price that

corresponds reasonably to its fair value.

Market value at risk is the loss in the market value of a Bank's portfolio measured from a base line case, where the loss is estimated in accordance with §932.5 of this chapter.

Minimum investment means the minimum amount of Class A and/or Class B stock that a member is required to own in order to be a member of a Bank and in order to obtain advances and to engage in other business activities with the Bank in accordance with §931.3 of this chapter.

Operations risk has the meaning set forth in §917.1 of this chapter.

Permanent capital means the retained earnings of a Bank, determined in accordance with GAAP, plus the amount paid-in for the Bank's Class B stock.

Redeem or Redemption means the acquisition by a Bank of its outstanding Class A or Class B stock at par value following the expiration of the six-month or five-year statutory redemption period, respectively, for the stock.

Regulatory risk-based capital requirement means the amount of permanent capital that a Bank is required to maintain in accordance with §932.3 of this chapter.

Regulatory total capital requirement means the amount of total capital that a Bank is required to maintain in accordance with §932.2 of this chapter.

Repurchase means the acquisition by a Bank of excess stock prior to the expiration of the six-month or five-year statutory redemption period for the stock.

Repurchase agreement means an agreement between a seller and a buyer whereby the seller agrees to repurchase a security or similar securities at an agreed upon price, with or without a stated time for repurchase.

Total assets means the total assets of a Bank, as determined in accordance with GAAP.

Total capital of a Bank means the sum of permanent capital, the amounts paid-in for Class A stock, the amount of any general allowance for losses, and the amount of other instruments identified in a Bank's capital plan that the Finance Board has determined to be available to absorb losses incurred by such Bank.

Walkaway clause means a provision in a bilateral netting contract that permits a nondefaulting counterparty to make a lower payment than it would make otherwise under the bilateral netting contract, or no payment at all, to a defaulter or the estate of a defaulter, even if the defaulter or the estate of the defaulter is a net creditor under the bilateral netting contract.

[66 FR 8310, Jan. 30, 2001, as amended at 66 FR 54107, Oct. 26, 2001]

EFFECTIVE DATE NOTE: At 66 FR 66728, Dec. 27, 2001, §930.1 was amended by revising the definition of *Affiliated counterparty*, and adding, the definition for *Sales of federal funds subject to a continuing contract*, effective March 27, 2002. For the convenience of the user the revised and added text is set forth as follows:

§ 930.1 Definitions.

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Affiliated counterparty means a counterparty of a Bank that controls, is controlled by or is under common control with another counterparty of the Bank. For the purposes of this definition only, direct or indirect ownership (including beneficial ownership) of more than 50 percent of the voting securities or voting interests of an entity constitutes control.

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Sales of federal funds subject to a continuing contract means an overnight federal funds loan that is automatically renewed each day unless terminated by either the lender or the borrower.

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PART 931—FEDERAL HOME LOAN BANK CAPITAL STOCK

Sec.

- 931.1 Classes of capital stock.
- 931.2 Issuance of capital stock.
- 931.3 Minimum investment in capital stock.
- 931.4 Dividends.
- 931.5 Liquidation, merger, or consolidation.
- 931.6 Transfer of capital stock.
- 931.7 Redemption and repurchase of capital stock.
- 931.8 Other restrictions on the repurchase or redemption of Bank stock.
- 931.9 Transition provision.

AUTHORITY: 12 U.S.C. 1422a(a)(3), 1422b(a), 1426, 1440, 1443, 1446.